



Improvements!

City Departments Implementing Audit Recommendations

Report 99-1

OFFICE OF CITY AUDITOR--SEATTLE

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The Office of City Auditor's **Improvements!** series summarizes the current status of recommendations that we and other auditors have made regarding a particular department or function. For more information regarding the Office of City Auditor's follow-up on audit recommendations or other activities, please call Susan Cohen at (206) 233-1093 or David G. Jones at (206) 233-1095.

Seattle Center Improving Cash Handling Procedures

Seattle Center's Transportation Services Office (TSO) operates all of the Center's City-owned parking facilities, generating revenues of over \$4 million annually. We conducted this review to determine whether TSO was properly collecting and safeguarding all parking revenues due the City.

BACKGROUND

Parking fees at Seattle Center generate a considerable amount of cash each year. In 1998 Seattle Center collected approximately \$4.1 million in parking revenues. Most (\$3.4 million or about 83 percent) came from daily parking; the remainder, from monthly parking (\$450,000), pre-paid parking (\$200,000), and parking script (\$20,000). Seattle Center officials expect parking revenues for 1999-2000 to increase by 5 percent per year.

In operating the Center's City-owned parking facilities, TSO is responsible for handling these parking revenues and ensuring they all end up in the City's bank account. TSO reports to the Seattle Center Director's Office. It employs one manager, one supervisor, one planner, one administrative specialist, and 35 "field employees". The field employees include 29 intermittent parking attendants, three full-time permanent parking attendants, and three "lead", or supervisory, attendants.

All TSO employees handle cash. The parking attendants collect cash from the public at attended lots and empty collection boxes at non-attended lots, and accept cash in-person and through the mail for monthly garage parking.

The leads verify and reconcile the attendants' collections and perform general supervision duties. The office employees collect cash and record payment, both in-person and via mail. And both the TSO manager and supervisor arrange and administer unique parking situations. For example, when KOMO-TV rented unused Seattle Center parking space for its employees during a building remodel, the TSO manager created a permanent pass and monthly billing system for these employees.

In 1995, the City Council considered contracting out Seattle Center's parking operations to lower costs. TSO avoid contracting out by taking a number of steps to reduce its expenses. These included

- eliminating the positions of one administrative specialist and two parking coordinators;
- downgrading the manager's position;
- implementing a computerized collection system similar to the Seattle Police Department's system;
- asking arts organizations to take on much of the order processing for the Reserved Parking Program; and
- closing the office for lunch.

The Office of City Auditor continually monitors the City's cash-handling systems through a cash-handling self-assessment questionnaire we developed, and through surprise reviews. The City requires¹ over 110 cash-handling sites to submit the self-assessment questionnaire every two years. The City also makes these sites subject to

¹ Seattle City Council Resolution 29604.

surprise reviews to verify questionnaire responses and offers recommendations for improving cash handling operations. Staff from the Office of City Auditor conduct these surprise reviews.

SCOPE AND METHODOLOGY

As part of our monitoring of the City's cash-handling systems, we visited TSO in August 1998 on a surprise basis to observe cash-handling systems during actual operations, review documentation of cash-handling controls, and interview TSO personnel. We confirmed our work with the TSO Manager through three telephone meetings. We selected TSO for a surprise review because of a theft in May 1998 that suggested potential weaknesses in cash handling practices.

In October 1998, TSO responded to our findings and recommendations with a correction action plan. Between October 1998 and June 1999, TSO steadily worked to implement this plan.² In July 1999, we visited TSO again to follow-up on our recommendations and the corrective actions TSO took in response to them.

RECOMMENDATIONS

In 1998, we found that TSO needed to improve its cash-handling practices in significant ways to provide the City reasonable assurance that TSO was collecting all revenues due the City and depositing them into City accounts. Specifically we recommended that TSO:

- record fully the parking permits and parking script it issues and reconcile them against cash receipts;
- ensure cash collections reconcile with cash deposits by fully utilizing the "Revenue by Facility Totals" form;
- segregate duties for recording and monitoring cash receipts;
- provide dual verification of mailed-in cash receipts;
- deposit cash within 48 hours of receipt;
- increase security for cash held in the office; and
- study potential technology enhancements.

In response to these recommendations, over the last year TSO has made significant progress in improving its cash-handling practices.

Recording and Reconciling Parking Permits and Scrip

In 1998, we recommended that TSO record numerically on the "Short Term Parking Log" all parking permits and parking script it issues, along with the source and amount of revenue. We further recommended that TSO reconcile these revenues to cash deposits and that TSO retain voided permits and reconcile them to the "Short Term Parking Log". TSO issues sequentially numbered permits for short-term parking³, dated tickets for reserved parking, and script for pre-paid parking. TSO uses a "Short-Term Parking Log" to record the permits it issues and, similarly, a script log for the script it issues. During our surprise visit, we found that TSO employees were not completely filling out the logs, failing to include the amount received for the permit and the ESO number if the parking was associated with an event contract. We also found that, due to staffing limitations, TSO was not reconciling short-term parking permits against cash deposits to verify depositing of all the cash TSO received for the permits it issued. Without appropriate recording and reconciling, it was impossible to know whether TSO had deposited the appropriate amount of cash for the permits it had issued.

TSO Improvements: TSO is now appropriately recording and reconciling all the parking permits and script it issues, and the manager is regularly reviewing the logs to ensure this takes place and to check on voided sales. In addition, a lead attendant is in the process of developing an Access database program for permit sales. The database will ease the recording, reconciling, and approving process.

Ensuring Cash Collections Reconcile with Cash Deposits

Last year, we recommended that TSO management review the daily revenue reconciliations to ensure their completeness and accuracy. Although one of the lead parking attendants was responsible for using the "Revenue by Facility Totals" form to reconcile self-serve parking box receipts with cash deposits, several of the forms we reviewed were incomplete.

TSO Improvements: On our July 1999 surprise visit all forms were complete, accurate, timely, and documented an appropriate reconciliation of collections to deposits.

² 1999 staffing changes include the elimination of one supervisor, one planner and one parking lead with additions of three parking attendants.

³ TSO issues short-term parking permits mainly to event sponsors, contractors, special programs, and resident arts organizations.

Segregating Duties within the Office for Recording and Monitoring Cash Receipts

In 1998, we recommended that only the administrative specialist issue parking permits and record and deposit cash receipts (with temporary replacement in case of vacation and sick leave), and only the supervisor reconcile cash receipts to permits issued and deposits to cash receipts. At the time of our surprise visit, TSO had not adequately segregated duties within its office for recording and reconciling cash receipts. All office employees and field employees temporarily working in the office could receive and record cash. Even the TSO Supervisor, whom TSO had tasked to monitor cash receipts, could accept cash. Without appropriate segregation between cash handling and monitoring, however, TSO could not reasonably assure the City that it is depositing all cash it receives.

TSO Improvements: The only TSO employee who accepts and records cash is the administrative specialist. In case of vacation or sick leave, TSO issues the supervisor or named substitute a separate petty cash fund.

Providing Dual Verification of Mailed-in Cash Receipts

In 1998, we recommended that TSO assign two TSO employees to open the mail to verify mailed-in cash receipts. We found that the administrative specialist alone was opening the mail and recording mailed-in cash receipts for parking permits and parking violations. Cash for monthly parking is sent to the Mercer Garage. Normally, cash handling controls require dual verification of receipts, and TSO itself employs dual verification in emptying parking self-pay boxes. Without dual verification, TSO cannot guarantee that it is recording and depositing all the cash it receives.

TSO Improvements: The administrative specialist receives the mail and logs the number of envelopes received. Two parking leads then open the mail under the camera in Mercer Garage, logging the payments and adding them to their daily deposit.

Depositing Cash within 48 Hours of Receipt

In 1998, we recommended that TSO design and implement a schedule that provides for depositing all cash receipts (including receipts for monthly parking permits and violation payments). City Ordinance requires depositing

cash receipts within 48 hours of receipt, and TSO's own procedures call for daily deposits of all revenue it receives.

During our review, we found that that TSO did not consistently deposit all cash receipts either daily or within 48 hours of receipt. In particular:

- TSO was not depositing cash it received for parking violations within 48 hours. Instead, TSO was opening, recording, and depositing payment checks when the administrative specialist had enough time to complete the task. During our visit, we found seven unopened payments in the office, two of which TSO had received prior to the day of our visit.
- TSO was not depositing check payments for monthly parking in a timely manner. Because of an employee illness, the office waited until the end of the month to start sending the checks for recording and depositing. The day of our visit, a parking attendant who was recording cash receipts for monthly parking had one check dated August 14 and another check dated August 19. The attendant stated that he recorded and deposited checks upon receiving them from the office.
- TSO was not depositing money it received for parking permits and parking violations in a timely manner, storing it instead in a locked file cabinet. The interval between deposits depended on the amount in the cabinet. TSO deposited the money when it reached some ill-defined "large" dollar amount. We found approximately \$300 on hand during our visit.

Although the dollar value of the receipts in these instances was small, the failure to make deposits in a timely manner increases the risk of both monetary loss and embarrassment for City operations.

TSO Improvements: TSO now deposits all mailed-in payments within 24 hours. TSO still is not depositing in-person payments, however, when the administrative specialist is on vacation or sick leave. The City Auditor is working with TSO to find a solution to this issue.

Increasing Security for Cash Held in the Office

In 1998 we recommended TSO acquire a small floor safe and place it in the back office. In addition, we recommended that TSO retain in the front office only a small amount of cash for making change. TSO was maintaining the cash it collected in the TSO office in a standard locked file cabinet in a room next to the office entrance. The office is on the second floor of a hotel/apartment building open to the street. Both City employees and the public have access to this office to buy bus passes and parking permits, respectively. The configuration of the building and the public access pose a security risk to City cash and TSO employees.

TSO Improvements: TSO purchased two floor safes and no longer uses the file cabinet for cash

Studying Potential Technology Enhancements

In 1998, we recommended TSO obtain the assistance of the City's Chief Technology Officer to study potential technology enhancements for cash-handling controls. The TSO Manager knew that TSO needed to pay more attention to cash-handling controls and to discontinue, over the long run, the sporadic practice of using intermittent parking attendants to deal with the workload of cash-related office tasks. However, given a requirement to operate without a budget increase for office staff, she was unsure how to further enhance cash-handling practices. During our review, however, we observed a lack of basic workplace technology and found TSO using extremely outdated and cumbersome practices for receiving, recording, and monitoring cash collections (for example, using manual logs to record permit sales). Implementing simple spreadsheet routines and currently available technology would speed up the daily recording and reconciliation process considerably and help improve cash-handling practices without requiring additional staff.

TSO Improvements: TSO is currently working on an ACCESS database program for entering data on sales of parking permits and script at the point of purchase/issue. In addition, TSO management has set a long-range goal of implementing a data-entry system for field collection of parking revenues that will automatically generate deposit reports for parking attendants and a number of different revenue reports for management. These applications of computer technology will decrease the manual reconciliations. TSO is currently performing and ease the management review process.

The Office of City Auditor has recently published a number of new reports, including:

- Commute Trip Reduction Program, Seattle City Light, Skagit Project
- Skagit General Store Financial Performance Audit
- Rehabilitation and Emergency Assistance for City Homeowners (REACH) Program
- City of Seattle's Pension Systems
- Deferred Compensation Plan Program

In addition, the Office of City Auditor will soon be releasing reports on:

- Pike Place Market PDA
- Monorail
- Historic Seattle PDA
- Public Participation in City Government
- Public-Private Partnerships

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